

# Funding the Future

## Why do people think the risk of inflation is so much bi...

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I have reviewed the [Bank of England's latest survey](#) of opinion on inflation, which has just been published. The results are, to be kind, quite bizarre.

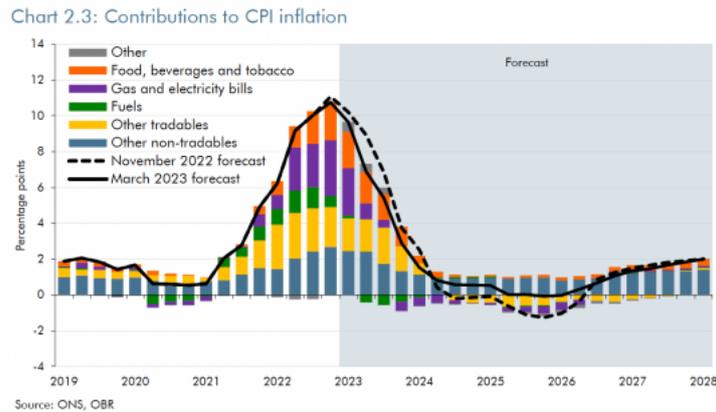
Most people rightly know inflation is more than 5%, but quite bizarrely a third think it has been less than that:

PUBLIC ATTITUDES TO INFLATION									
INFLATION ATTITUDES SURVEY - SUMMARY RESULTS <sup>(M000)</sup>									
	Feb-21	May-21	Aug-21	Nov-21	Feb-22	May-22	Aug-22	Nov-22	Feb-23
	%	%	%	%	%	%	%	%	%
<b>Q.1 Which of these options best describes how prices have changed over the last 12 months?</b>									
Gone down	1	1	1	1	1	0	1	0	1
Not changed	11	12	8	3	4	2	3	3	3
Up by 1% or less	7	6	5	4	2	1	2	1	1
Up by 1% but less than 2%	14	14	13	9	5	5	5	2	3
Up by 2% but less than 3%	17	18	17	18	10	8	9	6	6
Up by 3% but less than 4%	10	9	12	14	10	9	8	7	7
Up by 4% but less than 5%	8	7	10	10	12	10	7	7	7
Up by 5% or more	16	17	20	30	43	54	58	64	64
Don't know	17	16	15	11	13	10	8	10	9
Median	2.5	2.5	2.9	3.7	5.0	6.1	7.6	9.2	9.2

When asked how inflation will change people are hopelessly wrong in the short and medium terms:

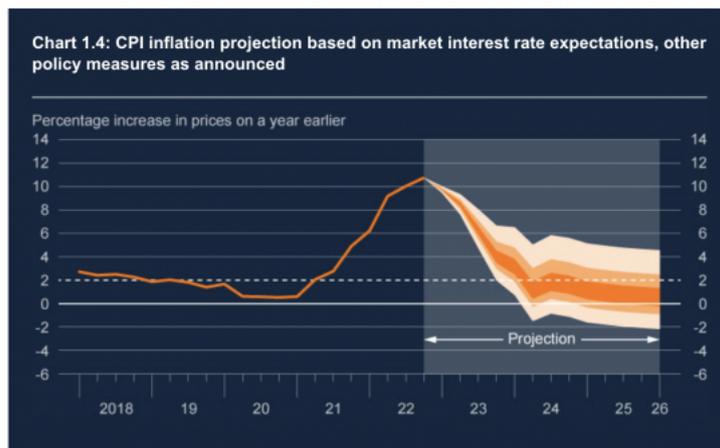
<b>Q. 2a How much would you expect prices in the shops generally to change over the next 12 months?</b>									
Go down	2	2	2	2	1	1	2	2	4
Not change	8	10	8	5	4	2	4	4	6
Up by 1% or less	8	9	8	6	3	3	2	3	3
Up by 1% but less than 2%	14	16	13	11	7	7	6	6	7
Up by 2% but less than 3%	18	18	18	18	12	11	10	9	12
Up by 3% but less than 4%	13	11	14	15	13	13	11	11	11
Up by 4% but less than 5%	7	7	9	11	12	12	12	11	11
Up by 5% or more	18	15	15	21	35	39	44	42	32
Don't know	13	13	14	11	13	11	10	12	13
Median	2.7	2.4	2.7	3.2	4.3	4.6	4.9	4.8	3.9
<b>Q. 2b And how about the 12 months after that?</b>									
Go down	2	2	2	3	2	4	5	5	7
Not change	11	13	11	8	7	7	8	9	8
Up by 1% or less	8	9	8	7	4	4	4	3	4
Up by 1% but less than 2%	13	15	13	12	8	7	8	6	8
Up by 2% but less than 3%	17	16	16	16	13	14	12	11	12
Up by 3% but less than 4%	10	8	11	10	12	11	11	11	11
Up by 4% but less than 5%	6	5	7	7	10	11	10	10	10
Up by 5% or more	8	7	8	10	17	20	21	22	17
Don't know	25	24	26	27	26	22	19	24	24
Median	2.2	1.9	2.2	2.4	3.2	3.4	3.2	3.4	3.0
<b>Q. 2c And how about the longer term, say in five years time?</b>									
<b>How much would you expect prices in the shops generally to change over a year then.</b>									
Go down	2	2	2	3	3	5	7	9	7
Not change	6	8	6	6	5	5	6	5	6
Up by 1% or less	8	7	5	6	4	4	4	3	4
Up by 1% but less than 2%	11	12	11	9	8	7	9	6	8
Up by 2% but less than 3%	16	15	15	15	13	13	13	11	13
Up by 3% but less than 4%	11	11	11	11	11	12	12	9	11
Up by 4% but less than 5%	8	7	9	7	8	12	9	9	9
Up by 5% or more	17	17	19	21	21	22	21	22	18
Don't know	24	22	23	23	26	22	20	24	25
Median	2.9	2.7	3.0	3.1	3.3	3.5	3.1	3.3	3.0

Almost without exception, they think high price increases (which are what inflation is) are here to stay. This totally contradicts data from the [Office for Budget Responsibility report](#) on the economy this week:



They are sure inflation is tumbling. And in 2024 they think it could be heading for zero.

So do the Bank of England. This is from the [last Monetary Policy Committee report](#):



Very low inflation is likely - less than 1% in 2024 with deflation quite possible too. Which does not mean prices will fall. But it does mean they will stop rising.

What the Bank of England needs to ask is why people's inflation expectations are so wildly out in that case, because they so obviously are.

So, a quick poll:

[poll id="20"]